

Message Text

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----- 105392

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FM SECSTATE WASHDC

TO AMEMBASSY SAN SALVADOR PRIORITY

INFO USMISSION GENEVA PRIORITY

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E.O. 11652:N/A

TAGS:ETRD,ES

SUBJECT:TEXTILES - ARTICLE 3 ACTION

GENEVA FOR PHELAN

1. IN A MEETING ON JULY 23, THE COMMITTEE FOR THE
IMPLEMENTATION OF TEXTILE AGREEMENTS RECOMMENDED THAT USG
REQUEST CONSULTATIONS WITH GOES UNDER ARTICLE 3 OF THE MFA
WITH A VIEW TOWARD REMOVING MARKET DISRUPTION PRESENTLY
BEING CAUSED BY IMPORTS OF CERTAIN TEXTILE PRODUCTS FROM
EL SALVADOR TO THE U.S. THEREFORE EMBASSY IS INSTRUCTED
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TO DELIVER FOLLOWING NOTE TO GOES AS SOON AS POSSIBLE,
AND IN NO CASE LATER THAN COB ON JULY 31:

QUOTE THE EMBASSY OF THE UNITED STATES OF AMERICA PRE-

SENTS ITS COMPLIMENTS TO THE MINISTRY OF FOREIGN AFFAIRS AND HAS THE HONOR TO REFER TO THE ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES DONE AT GENEVA ON DECEMBER 20, 1973, HEREAFTER REFERRED TO AS THE "ARRANGEMENT" AND, SPECIFICALLY, TO THE MARKET DISRUPTION AND EQUITY PROVISIONS OF ARTICLE 3.

THE GOVERNMENT OF THE UNITED STATES OF AMERICA HAS NOTED WITH CONCERN THE IMPORTS FROM EL SALVADOR IN MAN-MADE FIBER TEXTILE CATEGORIES

--- 224 (PART-OTHER WOMEN'S, GIRLS'), AND 229 (WOVEN COATS). TOTAL EXPORTS TO THE UNITED STATES FROM ALL SUPPLIERS HAVE CAUSED MARKET DISRUPTION OR THE THREAT THEREOF IN THESE CATEGORIES. A FACTUAL STATEMENT DESCRIBING MARKET CONDITIONS, THE EFFECTS OF SUCH IMPORTS ON THE UNITED STATES MARKET, THE RECENT TRENDS OF SUCH IMPORTS FROM EL SALVADOR AND A TABLE OF IMPORT AND DOMESTIC PRICE DATA IS APPENDED AS ANNEX A WHICH IS TO BE REGARDED AS AN INTEGRAL PART OF THIS NOTE IN CONFORMITY WITH ARTICLE 3.3 OF THE ARRANGEMENT.

IN RECOGNITION OF THE FACT THAT LOW-PRICED IMPORTS OF THE CATEGORIES OF PRODUCTS INDICATED ABOVE FROM A NUMBER OF SOURCES HAVE CAUSED OR THREATENED TO CAUSE MARKET DISRUPTION IN THE UNITED STATES, EIGHT EXPORTING COUNTRIES WHICH HAVE ACCEPTED OR ACCEDED TO THE ARRANGEMENT HAVE AGREED TO LIMIT THEIR EXPORTS OF THESE CATEGORIES OF PRODUCTS TO THE UNITED STATES. THEREFORE, IN ORDER TO AVOID FURTHER MARKET DISRUPTION OR THE THREAT THEREOF BY IMPORTS OF THE PRODUCTS INDICATED ABOVE AND TO INSURE EQUITABLE TREATMENT TO THOSE COUNTRIES PARTY TO THE ARRANGEMENT WHICH ARE PRESENTLY LIMITING EXPORTS IN THESE CATEGORIES TO THE UNITED STATES, THE GOVERNMENT OF THE UNITED STATES OF AMERICA IS, AS OF THE DATE OF THIS NOTE, INVOKING ITS RIGHTS UNDER ARTICLE 3 OF THE ARRANGEMENT, AND PURSUANT TO THE PROVISIONS OF PARAGRAPH 3 OF THAT ARTICLE, REQUESTING THE GOVERNMENT OF EL SALVADOR TO ENTER LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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PROMPTLY INTO CONSULTATIONS WITH A VIEW TO REMOVING THE DISRUPTION.

THE GOVERNMENT OF THE UNITED STATES OF AMERICA CONSIDERS THAT EXPORTS FROM EL SALVADOR TO THE UNITED STATES IN THE CATEGORIES INDICATED ABOVE SHOULD BE LIMITED TO THE LEVELS SET FORTH IN ANNEX B APPENDED TO THIS NOTE. THESE LEVELS ARE CONSISTENT WITH THE PROVISIONS OF ANNEX B OF THE ARRANGEMENT WHICH PROVIDE THAT RESTRAINTS MAY NOT BE SET AT A LEVEL LESS THAN THE ACTUAL LEVEL OF SUCH PRODUCTS IMPORTED DURING THE TWELVE MONTH PERIOD TERMINATING TWO MONTHS PRECEDING THE MONTH IN WHICH THE

REQUEST IS MADE.

THE GOVERNMENT OF THE UNITED STATES OF AMERICA CONSIDERS THE NEGOTIATION OF A MUTUALLY SATISFACTORY ALL-FIBER BILATERAL TEXTILE AGREEMENT UNDER THE PROVISIONS OF ARTICLE 4 OF THE ARRANGEMENT AS THE MOST DESIRABLE SOLUTION TO THE PROBLEM OF MARKET DISRUPTION AND TO THE EQUITY OBLIGATIONS OF THE UNITED STATES WITH RESPECT TO ITS RESTRAINED SUPPLIERS. HENCE, SHOULD THE GOVERNMENT OF EL SALVADOR WISH TO CONSULT WITH THE GOVERNMENT OF THE UNITED STATES OF AMERICA, IT IS HOPED THAT SUCH CONSULTATIONS WOULD BE SUCCESSFUL IN REACHING AN AGREEMENT UNDER ARTICLE 4 TO REPLACE ANY ACTIONS UNDER ARTICLE 3.

THE GOVERNMENT OF THE UNITED STATES OF AMERICA, IN ACCORDANCE WITH ARTICLE 3.3 OF THE ARRANGEMENT, HAS FORWARDED A COPY OF THIS NOTE AND ITS ANNEXES TO THE CHAIRMAN OF THE TEXTILES SURVEILLANCE BODY IN GENEVA.

THE EMBASSY OF THE UNITED STATES OF AMERICA ...ETC.

ANNEX A PART 1
MARKET CONDITIONS IN THE U.S. APPAREL INDUSTRY

THE UNITED STATES APPAREL INDUSTRY IS IN A DEPRESSED STATE.

THE FEDERAL RESERVE BOARD PRODUCTION INDEX FOR APPAREL
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PRODUCTS IN MARCH 1975 WAS DOWN 22 PERCENT FROM A YEAR EARLIER AND THE LOWEST SINCE FEBRUARY 1963.

TOTAL EMPLOYMENT IN THE APPAREL INDUSTRY IN JUNE 1975 WAS 1,210,000, DOWN 144,000 OR 11 PERCENT FROM JUNE 1974.

UNEMPLOYMENT IN THE APPAREL INDUSTRY WAS 13.9 PERCENT IN JUNE 1975, COMPARED WITH 7.5 PERCENT FOR THE SAME MONTH A YEAR EARLIER.

ANNEX A PART 2
COMPARABLE IMPORT AND DOMESTIC PRICE DATA
DOLLARS PER CATEGORY UNIT

CAT.	ITEM	UNIT	EL SALVADOR
224	OTHER COATS, W.G.I., MMF, KNIT	DOZ.	57
KOREA	HONG KONG	TAIWAN	JAPAN U.S.
49	103	42	65 185

CAT.	ITEM	UNIT	EL SALVADOR
------	------	------	-------------

229	RAINCOATS, W.G.I., MMF, N.K.	DOZ	98
KOREA	HONG KONG	TAIWAN	JAPAN U.S.
70	122	111	161 305

CAT. ITEM	UNIT	EL SALVADOR
229 OTHER COATS, W.G.I., MMF, N.K.	DOZ.	57
KOREA	HONG KONG	TAIWAN JAPAN U.S.
50	77	45 76 165

NOTE: IMPORTS ARE AVERAGE DUTY-PAID CIF VALUES.
-- U.S. PRICES ARE COMPARABLE DUTY-PAID CIF VALUE.

ANNEX A CATEGORY 229 COATS,OVEN
PART 3

APPAREL ITEMS IN THIS CATEGORY INCLUDES MEN'S AND BOYS' RAINCOATS, SUIT-TYPE SPORT COATS AND JACKETS, AND OTHER OUTER COATS AND WOMEN'S GIRLS' AND INFANTS' RAINCOATS, OUTER COATS AND JACKETS; ORNAMENTED AND NON ORNAMENTED.

THE U.S. MEN'S AND WOMEN'S COAT INDUSTRY IS ONE OF THE MOST IMPORT IMPACTED AREAS OF THE U.S. APPAREL INDUSTRY.
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THE IMPORT/PRODUCTION RATIO FOR MAN-MADE FIBER WOVEN COATS IS ESTIMATED TO HAVE INCREASED TO 50 PERCENT IN FIRST HALF OF 1975, UP FROM 44 PERCENT IN 1974 AND 11 PERCENT IN 1968.

IMPORTS: TOTAL IMPORTS OF WOVEN COATS INTO THE U.S. MARKET HAVE INCREASED NEARLY FOURFOLD FROM 530 THOUSAND DOZEN IN 1968 TO MORE THAN 2 MILLION DOZEN IN THE YEAR ENDING MAY 1975.

IMPORTS FROM EL SALVADOR BEGAN IN 1968 ON A RELATIVELY SMALL SCALE, BUT BEGAN TO INCREASE SUBSTANTIALLY IN 1973 REACHING 12,672 DOZEN. BY THE YEAR ENDING MAY 1975, THESE IMPORTS HAD INCREASED THREEFOLD FROM 1973 TO 37,985 DOZEN. EL SALVADOR IS THE TWELFTH LARGEST SUPPLIERS OF WOVEN COATS TO THE U.S. MARKET. ALL MAJOR SUPPLIERS HAVE EITHER ENTERED INTO OR ARE CONSULTING TOWARD AGREEMENTS TO CONTROL THEIR EXPORTS TO THE U.S. MARKET.

W.G.I. - WOMEN'S GIRLS' AND INFANTS'
N.K. - NOT KNIT

PRICES: THE CIF VALUE, INCLUDING IMPORT DUTIES, OF IMPORTS OF THIS CATEGORY FROM EL SALVADOR RANGED FROM 57 DOLLARS PER DOZEN FOR CHILDREN'S COATS TO 98 DOLLARS PER DOZEN FOR WOMEN'S RAINCOATS. THESE PRICES ARE SUBSTANTIALLY BELOW THE DOMESTIC PRICES FOR COMPARABLE ITEMS,

AND ARE ALSO BELOW THE VALUE OF COMPARABLE PRODUCTS
BEING IMPORTED FROM HONG HONG AND JAPAN. (ANNEX B).

DOMESTIC PRODUCTION: U.S. PRODUCTION OF WOVEN COATS DE-
CLINED DURING THE LATTER PART OF 1974 AND THE FIRST HALF
OF 1975 TO AN ESTIMATED 4 MILLION DOZEN, ON AN ANNUAL
BASIS, FROM 5 MILLION DOZEN IN 1973 AND 1974.

EMPLOYMENT IN THE U.S. MEN'S AND WOMEN'S SUIT AND COAT
INDUSTRY IN JUNE 1975 TOTALED 145,600 OR 25 PERCENT LESS
THAN IN JUNE 1974.

--- U.S. PRODUCTION AND IMPORTS
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--- OF COATS, WOVEN
--- CATEGORY 229

YEAR	PRODUCTION	IMPORTS	RATIO
---	(1,000 DOZEN)		
1968	4,623	530	11.5
1969	4,244	1,325	31.2
1970	4,981	1,865	37.4
1971	4,618	2,126	46.0
1972	4,501	2,522	56.0
1973	4,951	2,654	53.6
1974 1/	4,950	2,202	44.5
1975 2/	4,000	2,000	50.0

1/ PRELIMINARY
2/ ESTIMATED

-- CATEGORY 229: U.S. GENERAL IMPORTS FROM EL SALVADOR
--- AND MAJOR SUPPLIERS

--- DOZEN
CAT. 229 COATS, NOT KNIT

--	PERIOD	UNITS	PERIOD	UNITS
--	1972	1,448	MARCH 1975	6,285
--	1973	12,672	APRIL 1975	2,675
--	1974	24,161	MAY 1975	4,064
--	YE 3/75	34,014		
--	YE 4/75	34,585		
--	YE 5/75	37,985		

MAJOR SUPPLIERS	PERIOD			
	1972	1973	1974	YE 5/75
EL SALVADOR	1,448	12,672	24,161	37,985
KOREA, REP. OF	656,649	677,477	516,622	579,067
CHINA (T)	376,243	310,289	245,213	230,481
HONG KONG	380,293	284,598	201,387	209,422

ALL OTHER

COUNTRIES 1,107,415 1,368,726 1,215,682 962,148

TOTAL 2,522,048 2,653,762 2,202,056 2,019,103

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ANNEX APART 4

CATEGORY 224 - PART

OTHER WOMEN'S, GIRLS' AND INFANTS' COATS -- KNIT

APPAREL ITEMS INCLUDED IN THIS PART OF CATEGORY 224 IN-

CLUDE KNIT WOMEN'S, GIRLS' AND INFANTS' RAINCOATS, JACKETS,
SUIT-TYPE COATS AND OTHER OUTER COATS.

THE U.S. WOMEN'S, GIRLS' AND INFANTS' KNIT COAT INDUSTRY
IS ONE OF THE MOST IMPORT IMPACTED AREAS OF THE APPAREL
INDUSTRY. THE IMPORT/PRODUCTION RATIO FOR THESE TYPES
OF COATS WAS MORE THAN 50 PERCENT IN 1974.

IMPORTS: TOTAL U.S IMPORTS OF WOMEN'S, GIRLS' AND IN-
FANTS' OTHER COATS INCREASED FROM 279 THOUSAND DOZEN IN
1974 TO 316 THOUSAND DOZEN IN THE YEAR ENDING MAY 1975.
EL SALVADOR HAS BECOME THE SECOND LARGEST SUPPLIER OF
THESE TYPE OF COATS. IMPORTS FROM EL SALVADOR INCREASED
FROM 17,449 DOZEN IN 1974 TO 32,351 DOZEN IN THE YEAR
ENDING MAY 1975. AMONG THE LARGEST SUPPLIERS, TAIWAN,
MEXICO, JAPAN, KOREA AND COLOMBIA CONTROL THEIR EXPORTS
TO THE UNITED STATES.

PRICES: THE CIF VALUE, INCLUDING IMPORT DUTIES, OF
IMPORTS OF THIS CATEGORY FROM EL SALVADOR AVERAGED 57
DOLLARS PER DOZEN. THIS IS SUBSTANTIALLY BELOW THE
DOMESTIC PRICE FOR COMPARABLE GOODS AND IS ALSO BELOW THE
VALUE OF IMPORTS FROM HONG KONG AND JAPAN.

DOMESTIC PRODUCTION: U.S PRODUCTION OF WOMEN'S, GIRLS' AND
INFANTS' OTHER COATS DECLINED DURING THE FIRST HALF OF
1975. OUTPUT DURING 1974 TOTALED 556,000 DOZEN, DOWN
MORE THAN 5 PERCENT FROM 1973.

-- U.S. PRODUCTION AND IMPORTS
-- WOMEN'S OTHER COATS
-- CATEGORY 224 (PART)

YEAR	PRODUCTION	IMPORTS	RATIO
---	(1,000 DOZENS)		

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1972	414	NA	NA
1973	587	NA	NA
1974	556	279	50.2

CATEGORY 224 (PART): U.S. GENERAL IMPORTS FROM EL
SALVADOR AND MAJOR SUPPLIERS

-- POUNDS

CAT. 224 (PART) OTHER WOMEN'S, GIRLS' AND INFANTS' COATS
(382-0407 AND 382-7809)

PERIOD	QUANTITY	PERIOD	QUANTITY
---	(LBS.)	(LBS.)	

1972	---	FEBRUARY 1975	28,737
1973	---	MARCH 1975	42,426
1974	144,929	APRIL 1975	19,229
YE 3/75	238,929	MAY 1975	9,965
YE 4/75	259,541		
YE 5/75	265,638		

MAJOR SUPPLIERS	PERIOD			
----	1972	1973	1974	YE 5/75
EL SALVADOR	---	---	144,929	265,638
CHINA (T)	---	---	346,022	429,110
MEXICO	---	---	226,349	222,061
JAPAN	---	---	213,901	195,994
ALL OTHER				
COUNTRIES	---	---	1,025,760	1,114,008
TOTAL	---	---	1,956,961	2,226,811

--- ANNEX B

--- LEVELS OF RESTRAINT

CATEGORY	LEVEL
224 (PT.)	259,541 LBS.
229	34,585 DOZ.

DATA FOR CATEGORY 224 PART NOT BROKEN OUT PRIOR TO 1974.
END QUOTE

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2. ADVISE BY PRIORITY CABLE WHEN NOTE DELIVERED, INFO
GENEVA FOR PHELAN, INCLUDING INITIAL GOES REACTION, IF

ANY. FORWARD CERTIFIED COPIES OF NOTE TO DEPARTMENT
(ATTN: ASST. LEGAL ADVISOR, TREATY AFFAIRS). INGERSOLL

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